

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6995

BILL NUMBER: SB 357

NOTE PREPARED: Feb 23, 2010

BILL AMENDED: Feb 22, 2010

SUBJECT: Insurance Matters and Residential Lease Termination.

FIRST AUTHOR: Sen. Paul

FIRST SPONSOR: Rep. Bardon

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) This bill makes changes to the law concerning: pharmacy dispensing; insurer examinations; Department of Insurance (DOI) actuaries; annual audited financial reports of insurers; foreign and alien insurer authorization; insurance producer licensure; insurance holding company transactions; insurance administrator licensing; insurance proceeds for certain damage in cities and towns; health plan premium rates; sale of insurance to industrial insureds in Indiana; title insurer and health maintenance organization requirements related to presence in Indiana; out-of-state accident and sickness insurance policy waivers; commissioner approval of discretionary groups; Indiana Comprehensive Health Insurance Association (ICHIA) reimbursement, network fees, and net loss assessments; insurer price setting for noncovered dental services; small employer health insurance plans; professional employer organization (PEO) financial requirements. It provides for termination of a residential lease by a victim of certain crimes. It repeals definitions of unused terms. The bill also makes conforming amendments.

Effective Date: (Amended) Upon passage; July 1, 2010; January 1, 2012; July 1, 2012.

Explanation of State Expenditures: (Revised) The bill requires DOI to hold public meetings for any health insurance company that files for a rate (premium) increase. The DOI must also produce printed copies of the premium increase filings and enter the information into database and make the information available on the DOI website for every insurer in the state. There are about 1,800 insurance companies nationwide that could file with the DOI if they intend to sell insurance in the state. However, in 2009, 812 filed.

The DOI recently created a title insurance database that included similar information. One-time costs for creating a database are estimated at \$200,000. Additional one-time costs for paper storage, supplies, and storage units are estimated at \$18,000. Computer and office equipment for the database operator plus hearing

officer personnel are estimated at \$7,500 (which would include computer and office equipment and transcription equipment). Total one-time costs are estimated at \$225,500.

In 2009, the DOI had 812 rate increase requests, which average about 4 filings a day, assuming 230 business days. In order to maintain the database and input the data for 4 filings a day, the DOI would require a Junior Insurance Examiner to review the filings, provide file maintenance, and enter the data. Personnel costs for the examiner are estimated at \$54,240, including benefits.

For the public meeting requirement for premium increase requests, the DOI would need a Hearing Officer at a cost of approximately \$77,000, including benefits. An assistant for the Hearing Officer would be needed to collect comment, post notices, schedule public meetings, etc. Salary and benefits for the assistant are estimated at \$37,000, including benefits.

Annual personnel costs would equal \$168,240.

(Revised) *Reduction in State ICHIA Expenditures*. The bill limits an ICHIA policy to pay an amount for medically necessary eligible expenses that exceed the deductible to the amount that would be paid for the eligible expenses under Medicare plus 20%. The bill also provides that 50% of ICHIA net losses shall be assessed ICHIA members. Under existing law, 25% of any net loss is assessed by ICHIA to all members in proportion to their respective shares of total health insurance premiums received in Indiana during the calendar year with 75% of any net loss paid by the state. For the FY 2009-2011 biennium, ICHIA was appropriated \$77 M. If the state costs were at the level of the appropriation and remained at \$77 M and the state costs were reduced from 75% to 50% of the expenditures, state expenditures would decrease by around \$26 M for the biennium. ICHIA costs will likely increase for the upcoming biennium due to rising health care costs. Additionally, state costs for ICHIA expenditures depend on costs incurred for claims which are not predictable. Consequently, the specific reduction in expenditures that could result from this provision of the bill are indeterminable.

Retention of an Examiner. The bill provides that the DOI is not required to follow certain requirements specified in the public purchasing law. The DOI works with auditing groups and certain situations requiring the DOI to work quickly in order to investigate financials of insurance companies. Requiring the DOI to submit a request for proposals could slow the process. The provision will have no fiscal impact, but could enhance the responsiveness of the DOI.

(Revised) *Professional Employer Organizations (PEOs)*. The DOI must publish on the Internet a list of registered PEOs. The bill's requirements are within the DOI's routine administrative functions. The DOI should be able to publish the list with no additional appropriations, assuming near customary agency staffing and resource levels.

(Revised) *Rules*. The DOI Commissioner may adopt rules to implement the provisions of the bill. This requirement is within the DOI's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

The remainder of the bill codifies rules already in place, clarifies, or updates the code to conform to national standards. The bill also gives the DOI the ability to adjust fees to cover increases in expenses when necessary. Repealed cites are cites that are no longer applicable. There are no significant fiscal impacts in these provisions.

Insurance Administrator Licensing Fees. The bill provides that a resident or nonresident must pay an application fee in an amount determined by the Commissioner in order to receive an administrator's license. A \$50 fee is already in place with 204 administrators registered. The provision will allow the DOI to adjust the fee if circumstances require. For instance, if there is a significant increase in the number of individuals who apply for the license, the DOI may experience an increase in administrative expenses associated with processing the increase in applications. The bill would allow the DOI to increase the fee for the license in order to cover increases in administrative expenses. Fee revenue is deposited in the DOI Fund.

Explanation of State Revenues: (Revised) *Termination of Residential Property Leases.* This provision could increase the number of emergency possessory orders filed with trial courts.

(Revised) *Civil Penalties.* Any civil penalties collected for certain violations would be deposited in the state General Fund.

(Revised) *Court Fee Revenue:* If additional civil actions occur and court fees are collected, revenue to the state General Fund may increase. A civil costs fee of \$100 would be assessed when a civil case is filed, 70% of which would be deposited in the state General Fund if the case is filed in a court of record or 55% if the case is filed in a city or town court. In addition, some or all of the document storage fee (\$2), automated record keeping fee (\$7), judicial salaries fee (\$18), public defense administration fee (\$3), court administration fee (\$5), and the judicial insurance adjustment fee (\$1) are deposited into the state General Fund. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

Insurance Administrator Licensing Fees. The bill provides that the application fee is determined by the Commissioner. Any future changes to the fee are indeterminable. Revenue from the fee is deposited into the DOI Fund, which is used to finance the operations of the DOI.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) *Insurance Notice and Set-Aside Requirements for Certain Municipalities.* The bill could result in municipalities receiving insurance proceeds to recoup certain costs incurred for demolition or rehabilitation of damages to a building or structure caused by a fire or explosion. The specific impact will depend on the number and nature of damages caused by fire or explosions.

(Revised) *Termination of Residential Property Leases:* Additional emergency possessory order petitions could be filed with courts for the following offenses committed in the dwelling unit of a tenant:

- Burglary
- Residential Entry
- Criminal Trespass

(Revised) *Court Fee Revenue:* If additional civil actions occur, local governments would receive revenue from the following sources. The county general fund would receive 27% of the \$100 civil costs fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

State Agencies Affected: DOI.

Local Agencies Affected: Certain municipalities; Trial courts.

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